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Congressional Committees

Subject: *Force Structure: Assessment of Army Progress in Modular Restructuring, Prepositioned Equipment, and Equipment Reset* (GAO 10-507R) April, 26, 2010

The John Warner National Defense Authorization Act for Fiscal Year 2007, Pub. L. No. 109-364, § 323 directed the Comptroller General to assess (1) the Army's progress completing its modular transformation initiative; (2) the status of Army efforts to reconstitute its prepositioned material stock; and (3) the Army's progress in its efforts to repair, recapitalize, and replace equipment used in current overseas operations. Enclosed is the final briefing on these issues.

We will be happy to meet with you to discuss this briefing in more detail and answer any questions you may have. If you would like to schedule a meeting or if you have any questions, please contact me or Margaret Morgan, Assistant Director, morganm@gao.gov or (202-512-8975). Contact points for our Office of Congressional Relations and Public Affairs may be found on the last page of this report.

John H. Pendleton
Director, Defense Capabilities and Management

Enclosure

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Force Structure: Assessment of Army Progress in Modular Restructuring, Prepositioned Equipment, and Equipment Reset

**Briefing to Congressional Defense Committees
April 26, 2010**



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GAO's Mandate in the John Warner National Defense Authorization Act for Fiscal Year 2007

- Sec. 323 directed the Comptroller General to report annually to the congressional defense committees with his assessment of the following:
- The progress of the Army in meeting its requirements for that fiscal year for:
 1. the repair, recapitalization, and replacement of equipment used in the global war on terrorism;
 2. the fulfillment of equipment requirements for units transforming to modularity in accordance with the Modular Force Initiative report submitted to Congress in March 2006;
 3. reconstitution of equipment and materiel in prepositioned stocks in accordance with requirements under the Army Prepositioned Stock Strategy 2012 or a subsequent strategy implemented under the guidelines at 10 U.S.C. § 2229; and
 4. equipping and manning modular units in the regular components and reserve components of the Armed Forces.
- The use of funds for meeting requirements 1-3 above, and
- The progress of the Army in conducting further testing and evaluations of designs under the modularity initiative.



Approach to Addressing the Mandate

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- To address this recurring mandate, we have performed numerous engagements since 2007 that have addressed the required reporting elements. A list of related products is included at the end of this briefing.
 - The mandated reported elements fall into three main areas: (1) modular restructuring, (2) equipment reset, and (3) reconstitution of prepositioned equipment.
 - This briefing will provide the status of our work in each of these areas.
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Army's Progress in Modular Restructuring: Status of Staffing Efforts

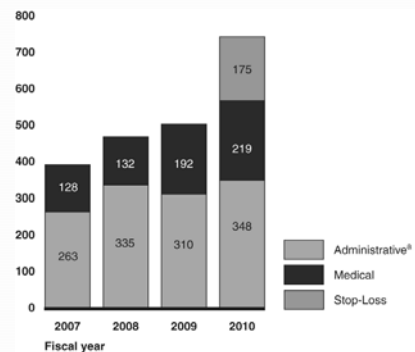
- The Army's personnel projections indicate that it will have the active duty¹ personnel it needs to meet the aggregate staffing requirements of its modular force through 2013.
- However, the Army projects continuing shortages in particular ranks--primarily mid-level officers--and special skills such as signal intelligence, explosive ordnance disposal, and public affairs.
- According to the Army, shortfalls are due to several factors, including
 - lower rates of accessions in the 1990s that have led to smaller numbers of mid-level officers available today, and
 - increased requirements due to growth in the size of the Army and its transformation to modular design.

¹We reported on staffing challenges affecting the reserves in GAO, *Reserve Forces: Army Needs to Finalize an Implementation Plan and Funding Strategy for Sustaining an Operational Reserve Force*, GAO-09-898 (Washington, D.C.: Sept. 17, 2009).

Army's Progress in Modular Restructuring: Staffing Challenges

- A growing number of active duty soldiers are unable to deploy with their units primarily due to medical conditions related to previous deployments, such as orthopedic problems or mental stress.
- The Army expects the number of nondeployable soldiers to increase further as the Army phases out its program that keeps deployed or deploying soldiers on duty after they are eligible to leave, known as Stop-Loss, by March 2011.
- In 2010, the Army anticipates that one in five soldiers in an average brigade combat team of 3,500 soldiers will be unable to deploy with their units.

Figure 1: Average number of nondeployable soldiers in brigade combat teams deployed to Iraq in FY 2007–2009, Army projections for FY 2010, and reasons for nondeployability



Source: Army G-1.

Note: Soldiers are categorized as administratively nondeployable for a number of reasons, such as planning to retire, undergoing critical professional development training, or those who are subject to disciplinary action. These data represent units' status on their latest arrival date, the date the unit deploys to theater.



Army's Progress in Modular Restructuring: Staffing Challenges (cont'd.)

To address the growing number of nondeployable active duty soldiers, in July 2009, the Secretary of Defense announced a temporary increase in the size of the Army of up to 22,000 soldiers until September 2013.

- The Army does not expect to create additional units that could be added to its rotational readiness and deployment cycle; therefore, the length of time that soldiers remain at home between deployments will not be affected by the temporary end-strength increase. Without additional units in its rotational force, the Army will not meet its goal of increasing the time units have between rotations at the current level of demand.
- The Army plans to use the temporary increase to ensure that deploying units have the personnel they need to perform their missions.
- The Army has requested overseas contingency operations funding to pay for these personnel in fiscal year 2011; however, it is unclear how the personnel will be funded in fiscal years 2012 and 2013.



Army's Progress in Modular Restructuring: Status of Equipping Efforts

- The Army projects that by 2016 the percentage of equipment on hand as compared to its requirement will increase and it will have more modern equipment across all components (active and reserve). However, these projections are based on the assumption that the Army's reset program will continue to be funded so that all the equipment on hand in 2010 will be available in 2016, including equipment that is currently being heavily used in Iraq and Afghanistan.
- The Army's plan will require it to continue to rely on some older equipment to substitute for modern equipment in some categories, for example
 - tactical radios
 - medium trucks
 - high-mobility multipurpose wheeled vehicles
- Similarly, the Army projects that in 2016 it will continue to have shortfalls of some key enabler equipment, including equipment that represents emerging technology, for example
 - unmanned aircraft systems
 - enhanced position location reporting system
 - force XXI brigade and below battle command system



Army's Progress in Modular Restructuring: Status of Support Force Assessments

The Army assesses its modular support forces in a two-step process in which it first identifies its requirement for specific numbers and types of support forces in different operational scenarios and then decides what units it can resource based on available resources. The goal of this process is to build the best-balanced force within available Army end strength.

In April 2009, the Army completed an analysis of support forces needed through fiscal year 2015 based on the operational demands at the time and a mix of possible future demand scenarios, as well as goals for time between deployments. The demand-based analysis identified shortfalls of between 116,000 and 430,000 support personnel that could not be resourced.

Concerned about the magnitude of the shortfalls generated by this demand-based approach, in December 2009 the Army completed another analysis of support forces, this time using a supply-based approach intended to provide a balanced force within its end strength through 2017. The Army

- prioritized retaining support unit types currently in high demand, such as medical, aviation, civil affairs, and transportation units, and
- identified and eliminated support units that were not in high demand in current operations.



Army's Progress in Modular Restructuring: Modular Unit Design and Use of Funds

- We previously reported on the Army's progress in testing and evaluating its modular unit designs and the use of funds by the Army for equipping its modular units.¹ In November 2008, we reported that the Army did not have a comprehensive approach to assessing the need for changes to modular designs. We recommended that the Army assess the effectiveness of modular forces with authorized equipment and personnel. The Department of Defense (DOD) agreed with our recommendation and stated that it is currently assessing the capabilities of the modular force.
- Regarding the Army's use of funds for equipping its modular units, the Army stated in its 2009 report to Congress on the status of its modular transformation² that the Army is no longer able to distinguish between equipment purchased for developing the modular force and modernized fielding.

¹See, GAO, *The Army Needs a Results-Oriented Plan to Equip and Staff Modular Forces and a Thorough Assessment of Their Capabilities*, GAO-09-131 (Washington, D.C.: Nov. 14, 2008).

²Department of the Army, *Prioritization of Funds for Equipment Readiness and Strategic Capability*, Report to Congress (Washington, D.C., Feb. 2, 2009).



Army's Progress in Reconstitution of Prepositioned Materiel and Equipment

- In November 2009, we issued *Defense Logistics: Department of Defense's Annual Report on the Status of Prepositioned Materiel and Equipment Can Be Further Enhanced to Better Inform Congress* (GAO-10-172R) in response to our mandate under 10 U.S.C. §2229a. We made recommendations to improve the Army's future reporting on its prepositioned materiel.
- DOD concurred with our recommendations and commented that it will incorporate into future reports information on the Army's level of fill of its prepositioned sets that include spare parts and include information on the progress to replenish its individual prepositioned sets and changes in those sets from the previous years to highlight readiness concerns as well as major program improvements.
- In fiscal year 2009, the Army continued execution of its Army Prepositioned Stock (APS) Strategy 2015 and projects that it will replenish and reconstitute all APS equipment sets by 2015, contingent on sufficient funding through the period.



Army's Progress in Reconstitution of Prepositioned Materiel and Equipment

- We previously reported in GAO-08-257R, *Defense Logistics: Army Has Not Fully Planned or Budgeted for the Reconstitution of its Afloat Prepositioned Stocks*, that the Army did not track funding for prepositioned equipment separately from other equipment-related requests. Since the 2008 report, the Army has begun to improve its tracking of these funds. Specifically, the Army's fiscal year 2009 Supplemental Overseas Contingency Operations budget identified \$319.1 million in Operations and Maintenance Procurement funds and \$987 million in Other Procurement funds to reset prepositioned stocks.
- We plan to initiate an engagement to review DOD's fiscal year 2010 annual report on the status of materiel in the prepositioned stocks to address Sec. 2229a of Title 10 of the U.S. Code, which requires DOD to report to Congress annually on the status of materiel and equipment in the prepositioned stocks. DOD issued its last report to Congress on the status of materiel and equipment on February 16, 2009, and plans to issue its 2010 report in March 2010.
- The law requires us to review DOD's report and submit to congressional defense committees any additional information that will further inform such committees on issues relating to the status of materiel and equipment in prepositioned stocks no later than 120 days after the date on which DOD submits its report to Congress.



Army Equipment Reset

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- In a testimony statement for the House Committee on Armed Services, we reported in February 2009 that the harsh operating environments and prolonged length of operations in Iraq and Afghanistan have placed tremendous stress on deployed equipment. Given that much of this equipment was already more than 20 years old and has not been reset since the onset of operations in Iraq in 2003, Army and Marine Corps equipment reset requirements are expected to significantly increase over the next several years as the Iraq drawdown continues and major pieces of equipment are returned to the U.S. (GAO-09-380T, Feb. 12, 2009).
 - According to the Army's 2010 Posture Statement, the Army completed the reset of 29 brigades worth of equipment in fiscal year 2009, and continues the reset of 13 more. In total, the Army reported that it had reset more than 98,000 pieces of equipment as depot production had doubled since September 11, 2001.
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Army Equipment Reset

- The Army has received appropriations of over \$24 billion for procurement funding for reset since fiscal year 2003. We previously reported that poor visibility over how reset procurement funds were obligated by the system limited the Army's ability to make risk-based decisions about what investments it should make (GAO-07-814, Sept. 19, 2007).
- Since that time, the Army has begun to better track reset funding. For example, in the Army's fiscal year 2010 supplemental budget request, the Army reported that it obligated about \$3.5 billion for depot-level maintenance; \$3.5 billion for field-level maintenance; and \$85 million for recapitalization. In addition, the Army identified \$319.1 million in Operations and Maintenance Procurement and \$987 million in Other Procurement for prepositioned stocks.
- Additional reset funding is provided through the Army's procurement accounts, but these funds are not separately reported as reset.



Army Equipment Reset

- We have initiated a new engagement that will focus on DOD's strategy to reset equipment returning from Iraq to meet future operational needs. The engagement will address the following questions: (1) To what extent do DOD's equipping strategies and force generation models provide an integrated process for establishing reset requirements for equipment returning from Iraq and the time line for reset? (2) To what extent do DOD's reset requirements processes address the need to reset nonstandard equipment that is issued in theater? (3) To what extent are program managers, materiel commands, and maintenance depots receiving accurate and timely requirements on the type and amount of equipment returning from Iraq to support workload forecasts, and are current reset budget trends consistent with reset requirements?
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Scope and Methodology

- To assess the Army's progress staffing, equipping, assessing, and funding and the design of the modular force, we
 - compared data on available personnel and projected personnel against Army requirements and identified staffing challenges;
 - reviewed Army guidance, strategies and assumptions related to mitigating staffing challenges and assessing Army support forces;
 - examined documentation and data on the Army's efforts to equip the total Army; we compared equipment the Army projected to have by 2016 with assumed equipment requirements overall and for key enabler items and identified any equipping challenges; and
 - discussed with DOD officials issues related to staffing, equipping, assessing support forces, funding, and the design of modular units.
- To assess progress in reconstituting the Army's prepositioned equipment, we reviewed the results of GAO's most recent report responding to the congressional mandate under 10 U.S.C. §2229a concerning DOD's report on the status of its prepositioned stocks.
- To assess the Army's use of funds for equipment reset and reconstitution of prepositioned equipment, we reviewed Army reports to Congress and examined budget documents on the status of equipment reset and prepositioned equipment.



Scope and Methodology (cont'd)

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- We conducted the performance audits on which this briefing is based from December 2008 through March 2010 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.
 - Although we did not independently test the reliability of Army data electronically, we determined the data were sufficiently reliable for the purposes of this briefing based on discussions with Army officials about the data quality control procedures used to ensure the reliability of the relevant equipment and personnel databases.
 - We provided a draft of this briefing to the DOD for review and comment. However, DOD did not provide comments. The Army provided technical comments which we have incorporated where appropriate.
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GAO Related Products

- *Defense Logistics: Department of Defense's Annual Report on the Status of Prepositioned Materiel and Equipment Can Be Further Enhanced to Better Inform Congress.* GAO-10-172R. Washington, D.C.: November 4, 2009.
- *Force Structure: The Army Needs a Results-Oriented Plan to Equip and Staff Modular Forces and a Thorough Assessment of Their Capabilities.* GAO-09-131. Washington, D.C.: November 14, 2008.
- *Defense Logistics: Department of Defense's Annual Report on the Status of Prepositioned Materiel and Equipment Can Be Enhanced to Better Inform Congress.* GAO-09-147R. Washington, D.C.: December 15, 2008.
- *Force Structure: Restructuring and Rebuilding the Army Will Cost Billions of Dollars for Equipment but the Total Cost Is Uncertain.* GAO-08-669T. Washington, D.C.: April 10, 2008.
- *Force Structure: Better Management Controls Are Needed to Oversee the Army's Modular Force and Expansion Initiatives and Improve Accountability for Results.* GAO-08-145. Washington, D.C.: December 14, 2007.
- *Defense Logistics: Army and Marine Corps Cannot Be Assured That Equipment Reset Strategies Will Sustain Equipment Availability While Meeting Ongoing Operational Requirements.* GAO-07-814. Washington, D.C.: September 19, 2007.
- *Defense Logistics: Preliminary Observations on the Army's Implementation of Its Equipment Reset Strategies.* GAO-07-439T. Washington, D.C.: January 31, 2007.

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